

Message Text

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53

ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00 INRE-00

AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 EB-07 FRB-03

H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01

AID-05 CIEP-01 SS-15 STR-04 ITC-01 TRSE-00 PRS-01

SP-02 FEAE-00 OMB-01 /086 W
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O R 121658Z JUL 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 0348

INFO USMISSION EC BRUSSELS

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

AMEMBASSY ROME

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E.O. 11652: N/A

TAGS: ETRD, EC, EAGR

SUBJ: EC COMMISSION PROPOSAL TO TAX VEGETABLE FATS AND
OILS

REF: STATE 170962

1. IN ABSENCE OF HIGHER RANKING OFFICIALS WHO HAVE
LEFT BONN TO ATTEND EUROPEAN COUNCIL MEETING, ECON
COUNSELOR CONVEYED U.S. OBJECTIONS TO PROPOSED TAX TO
DR. FREITAG, DIRECTOR OF MFA OFFICE FOR EC TRADE POLICY.
FREITAG SAID THAT FRG POSITION ON THE COMMISSION'S
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PROPOSAL WOULD PROBABLY BE TAKEN ON JULY 13 IN COURSE

OF AN INTER-MINISTERIAL WORKING LEVEL MEETING BEING HELD TO PREPARE FOR NEXT AGRICULTURAL COUNCIL. HE ASSURED US THAT U.S. VIEWS WOULD BE TAKEN INTO ACCOUNT. IT WAS IN FACT HIS OPINION THAT THE STRONGEST ARGUMENT AGAINST THE COMMISSION'S PROPOSAL WAS THE DAMAGE SUCH A TAX WOULD CAUSE TO RELATIONS WITH THE U.S. AS ADDITIONAL ARGUMENTS, HE NOTED THAT THE TAX WOULD HAMPER IMPORTS FROM LDCS, THAT IT WOULD LEAD TO AN INCREASE OF CONSUMER PRICES, AND THAT AS A HEALTH MATTER IT WOULD PROMOTE CONSUMPTION OF ANIMAL FATS OVER CONSUMPTION OF VEGETABLE OILS. FREITAG WAS CONFIDENT THAT ECONOMICS MINISTRY WOULD JOIN MFA IN OPPOSING THE PROPOSED TAX, CHIEFLY BECAUSE OF ITS INFLATIONARY IMPACT, AND INDICATED THAT EVEN FOOD AND AGRICULTURAL MINISTRY HAD DOUBTS ABOUT SUITABILITY OF PROPOSED TAX.

2. FREITAG AND HIS STAFF CAUTIONED THAT THIS AFFAIR IS NOT LIKELY TO BE SETTLED QUICKLY, AND THAT IT WILL PROBABLY DRAG ON INTO FALL. THE SEVERE DROUGHT IN PARTICULAR INCREASES THE POLITICAL DIFFICULTY WHICH MEMBER GOVERNMENTS WOULD FACE IN REJECTING OUT OF HAND A PROPOSAL TO AID A MAJOR FARMING SECTOR.

3. U.S. OBJECTIONS TO PROPOSED TAX WERE ALSO PRESENTED TO MINAG. MINAG INDICATED THAT THEY HAVE ONLY NOW RECEIVED THE PROPOSAL AND HAVE NOT HAD TIME TO STUDY IT. THEY DID INDICATE, HOWEVER, THAT THEY WOULD LOOK AT THE ECONOMICS OF THE ARGUMENT IN GREAT DETAIL AND THAT BOTH THE ECONOMIC AND POLITICAL IMPLICATIONS WOULD BE INCLUDED IN THE MINISTRY'S FINAL POSITION.

4. WHILE MINAG REMAINED COMPLETELY OPPOSED TO ANY TAX ON VEGETABLE PROTEIN MEAL, THEY DID NOT APPEAR TO HAVE SUCH A STRONG FEELING ABOUT VEGETABLE FATS AND OILS. MINAG OFFICIALS DID STATE THAT IT WOULD APPEAR TO THEM THAT OUR MAIN CONCERN WOULD BE THE PROTEIN MEAL AND NOT THE VEGETABLE OILS. WE DID INDICATE TO THEM THAT THE SOYBEAN CONTAINS BOTH OIL AND MEAL, IT IS A JOINT PRODUCT, AND THAT ANY ACTION TAKEN ON EITHER PRODUCT WAS OF EQUAL IMPORTANCE TO US. FURTHER, THAT LIMITED OFFICIAL USE

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THERE SHOULD BE NO MISUNDERSTANDING REGARDING THE GRAVITY OF THE COMMISSION'S VEGETABLE OIL PROPOSAL AS FAR AS THE U.S. IS CONCERNED.

5. IT WOULD APPEAR TO US THAT THE GERMAN GOVERNMENT IS STILL OF MANY MINDS REGARDING THIS ISSUE AT THIS TIME.
HILLENBRAND

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